MOODY'S

Rating Action: Moody's downgrades Brecksville, OH's GO to Aa1

14 May 2019

New York, May 14, 2019 -- Moody's Investors Service has downgraded the City of Brecksville, Ohio's issuer and general obligation limited tax (GOLT) ratings to Aa1 from Aaa. Concurrently, Moody's has assigned a Aa1 to the city's $8.5 million General Obligation (Limited Tax) Municipal Facilities Improvement Bonds, Series 2019. Following the sale, the city will have approximately $26.5 million of general obligation debt outstanding.

The issuer rating represents Moody's assessment of hypothetical debt of the city supported by a general obligation unlimited tax (GOULT) pledge. The city does not currently have any GOULT debt outstanding. The pledge supporting the Series 2019 bonds is considered limited tax as the basic security is the requirement that the city levy ad valorem property taxes within the ten-mill limitation imposed by Ohio law.

RATINGS RATIONALE

Downgrade of the issuer rating to Aa1 from Aaa reflects a gradual weakening of the city's debt, pension, financial, and economic profile relative to the national median for Aaa rated cities. Brecksville's financial position is sound and characterized by balanced operations and prudent management; however, the city's reserves are significantly below the state and national Aaa and Aa1 medians. Also considered in the rating are the city's affluent and growing tax base, along with its strategic location within the Cleveland metropolitan area.

The general obligation limited tax rating of Aa1 is at the same level as the issuer rating given the city's full faith and credit pledge to pay debt service.

RATING OUTLOOK

Outlooks are typically not assigned to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant and sustained increase in reserves

- Lower debt or pension burden

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Significant draws in reserves, beyond those that occured in fiscal 2018

- Material increase in debt or pension burden

LEGAL SECURITY

Security for the Series 2019 bonds is the requirement that the city levy ad valorem property taxes within the ten-mill limitation imposed by Ohio law to pay debt service. The state constitution also requires that debt service is a first budget obligation. The city has also pledged its full faith and credit for repayment of the debt.

USE OF PROCEEDS

The Series 2019 bonds will fund construction of a new police building as well as a municipal swimming pool and related recreational facility.

PROFILE

The City of Brecksville is an affluent suburban community located in the Cleveland metropolitan area. The city provides basic municipal services such as public safety, road maintenance, and recreation, among other things. Water and sewer services are provided to city residents by the City of Cleveland and the Northeast Ohio Regional Sewer District, respectively.

METHODOLOGY

The principal methodology used in these ratings was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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